

Message Text

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ACTION ARA-10

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R 251845Z NOV 75

FM AMEMBASSY GUATEMALA

TO AMEMBASSY QUITO

INFO USDOC WASHDC

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AMEMBASSY CARACAS

LIMITED OFFICIAL USE GUATEMALA 6643

EO 11652: NA

TAGS: BBAK, BEXP, GT

SUBJ: GREAT AMERICAN INTERNATIONAL CORP.

REF:A.) QUITO 7839, B) USDOC 16460, C) GUATEMALA 3781,
D) GUATEMALA 4265.

THIS IS IN RESPONSE REF A; DELAY REGRETTED. OUTSIDE OF
REFS C&D EMBASSY HAS FOLLOWING TO ADD.

1) EMBASSY HAS BEEN CONTACTED BY EDGARDO DIAZ AND HIS SON
OF GREAT AMERICAN INTERNATIONAL CORP (GRATA),
WHICH AS REPORTED REF C HAS NUMBER OF CONTRACTS WITH
GOVT AGENCY INDECA FOR GRAIN STORAGE WORK IN GUAT-
EMALA. DIAZ INFORMED US THAT THEY HAVE VERY SERIOUS
PROBLEMS WITH INDECA AND ARE IN DANGER OF LOSING 900,000
DOLS. THE FOLLOWING IS A SIMPLIFIED ACCT OF HIS
COMPLEX PROBLEMS AS PROVIDED BY DIAZ.

2. GRATA ENTERED INTO JOINT VENTURE CALLED APSA-GRATA
IN JAN 1973 WITH GUATEMALAN FIRM OWNED BY GUSTAVO
ARGUELLO, ACEROS PREFABRICADOS (APSA), ON THREE CONTRACTS
TO BUILD AND EQUIP A NUMBER OF GRAIN STORAGE FACILITIES
FOR INDECA. BECAUSE OF MANY DISCREPANCIES AND PROBLEMS
WHICH DEVELOPED WITH APSA IN EARLY COURSE OF THEIR PART-
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nership, two firms agreed privately- and by legal

INSTRUMENT IN JAN 1974- TO DIVIDE CONTRACTS WHICH
ORIGINALLY WERE BEING SPLIT 50/50. APSA GOT ALL OF ONE
CONTRACT. GRATEA ALL OF OTHER TWO. THIS DID NOT CHANGE
LEGALITY APSA-GRATA JOINT VENTURE WHICH CONTINUED IN
FORCE IN THEIR RELATIONS WITH INDECA. GRATA SAYS IT
PAID APSA \$207,000 AS SETTLEMENT FOR TWO CONTRACTS IT
NOW HELD EXCLUSIVELY.

3. THEN DUE TO DELAYS BY SUBCONTRACTORS ON CONSTRUCTING
SILOS AND BODEGAS, AND PROBLEMS WITH INDECA (WHICH
DIAZ SAID WERE INSTIGATED BY ARGUELLO, WHO WAS STILL
BITTER ABOUT EARLIER SPLIT), GRAIN-HANDLING MACHINERY
BEING SUPPLIED BY GRATA EITHER COULD NOT BE INSTALLED
BECAUSE SILOS WERE NOT FINISHED OR WAS NOT ACCEPTED BY
INDECA, EITHER BECAUSE OF INTENTIONAL DELAYS ON INDECA'S
PART OF FOR OTHER QUESTIONABLE REASONS. THIS RESULTED
IN GRATA NOT BEING PAID BY INDECA BECAUSE THE TERMS OF
THE CONTRACT CALLED FOR PROGRESS PAYMENTS UPON INSTAL-
LATION AND ACCEPTANCE OF THE MACHINERY. NON-PAYMENT
PUT GRATA IN FINANCIAL BIND, AND THEY REPEATEDLY ASKED
INDICA FOR PAYMENT FOR WORK DONE. FINALLY, AFTER NOT
BEING PAID SINCE JAN 75, GRATA, IN EFFORT TO PRO-
VOKE INDECA INTO PAYING THEM AND SETTTLING OTHER DIFFERENCES,
STOPPED WORK ON SEPT 25, 1975, INFORMING
INDECA THAT IT COULD NOT CONTINUE UNDER PRESENT CIR-
CUMSTANCES.

ORIGINAL CONTRACT HAD CALLED FOR COMPLETION OF ALL WORK
BY DEC 74; YET BY SEPT 75 NONE OF THE
SILOS WERE FINISHED.

4. RESULT OF WORK STOPPAGE WAS ORDER BY MINISTER OF
AGRICULTURE, GEN F. D. RUBIO, GIVING REMINDER OF WORK
ON TWO CONTRACTS HELD BY GRATA TO ARGUELLO OF APSA, WHO
IS A CLOSE PERSONAL FRIEND. ARGUELLO IS HIGHLY ANTA-
GONISTIC TO GRATA AND THREATENING TO TAKE ALL OF THE
REMAINING MONEY COMING IN PROJECT, MOST OF WHICH GRATA
CLAIMS IS THEIRS. INCLUDED IN THIS POTENTIAL LOSS IS
OVER 250,000 DOLS WORTH OF GRAIN HANDLING EQUIPMENT

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NOW IN COUNTRY. ARGUELLO'S THREAT IS SERIOUS BECAUSE
ALTHOUGH THERE WAS A PRIVATE AGREEMENT TO DIVIDE WORK
BETWEEN GRATA AND APSA, JOINT VENTURE STILL EXISTS LE-
GALLY AND ARGUELLO IN NAME APSA-GRATA CAN BE PAID MONEY
FOR WORK WHICH WAS DONE BY GRATA ON ITS SHARE OF THE
TWO CONTRACTS AND FOR EQUIPMENT OWNED BY GRATA STILL
TO BE INSTALLED.

5. GRATA WILLING TO FINISH WORK BUT BELIEVES THAT THIS
NO LONGER POSSIBLE. THEIR LAWYER IS WORKING ON PROBLEM
BUT DUE TO FRIENDSHIP BETWEEN AGRICULTURE MIN. AND
ARGUELLO BELIEVES THEY HAVE LITTLE CHANCE OF GETTING
FAIR TREATMENT IN COURTS.

6. EMBASSY COMMENT- WE HAVE HEARD ONLY GRATA SIDE OF
THE PROBLEM AND ARE NOT ABLE TO MAKE A JUDGEMENT ON
MERITS OF THEIR CASE.
ANDREWS

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